Bank of America UK Retirement Plan (‘the Plan’)

Implementation Statement
(forming part of the Trustee’s report)

July 2022

BANK OF AMERICA

Implementation Statement for the period covering 1 January 2021 to 31 December 2021 (forming part of the Trustee's report)

At a glance…

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the 'Regulations'). The Regulations require that the Trustee produces an annual statement called an Implementation Statement ('IS') which outlines the following:

- A summary of any review and subsequent changes made to the Statement of Investment Principles ('SIP').
- Evidence on how the Trustee has fulfilled the objectives and policies included in the SIP.
- Describe the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) and state any use of third-party providers of proxy voting services.

This is the second IS that the Trustee has prepared and covers the information set out above for the Bank of America UK Retirement Plan (the 'Plan'). This statement covers the Plan year from 1 January 2021 to 31 December 2021. This Statement covers the Defined Benefit (DB), Defined Contribution (DC) and Additional Voluntary Contributions (AVC) Sections of the Plan. However, due to the relatively small size of the AVC funds, we have not explicitly commented on these in the voting and engagement sections below.

Executive summary

Based on the activity carried out over the Plan year by the Trustee and its investment managers, the Trustee is of the opinion that its policies have been implemented effectively in practice. The Trustee notes that based on the information provided, the investment managers employed are exercising their respective voting and engagement duties (where applicable) to a satisfactory level.

Despite all managers having robust stewardship policies in place, some managers were unable to provide examples of significant votes or engagements carried out over the Plan Year at a fund level. Each manager's response is reviewed in the relevant section.

The Trustee has asked for explanations from fund managers that have not provided examples of significant votes and engagements. The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement.

Review and changes made to the SIP over the year

The Trustee has a policy to review the SIP formally at least every three years, or after any significant change in investment policy or member demographics.

The Statement of Investment Principles ('SIP') was reviewed during the year and updated in July 2021.

The changes made included:

- Representing the strategic allocation for the DB Section of the Plan as a range following a change in investment strategy. The Trustee is in the process of selling the Plan's property portfolio and the ranges reflect the position during these sales.
- Updating benchmark information and valuation, which had changed since the last version of the SIP.
- Noting that the Money Market Fund in the DC Section of the Plan is a deemed default. This is because the Money Market Fund was used as a default destination for contributions intended for the UK Property Fund when trading in and out of the UK Property Fund was temporarily suspended. It is a requirement for all deemed defaults to be specified in the SIP.

The Trustee sought input on these changes from its investment adviser, Aon, and the Sponsor.

Meeting the objectives and policies as set out in the SIP that apply to both the DB and DC Sections

The Trustee outlines in the SIP a number of key objectives and policies. The full wording of these SIP policies can be found in the SIP document at this link:
www.bofapension.co.uk > Resources > Statutory Information.

The Trustee has considered the broad themes these objectives and policies fit into and have noted these below together with an explanation of how these objectives have been met and policies adhered to over the course of the year.

Policies relating to Responsible Investment ('RI'), Environment, Social and Governance ('ESG') related factors and Investment Stewardship

Over the year, the Trustee received training on RI at the meetings in March, November and December, covering Aon's climate scenario modelling and the requirements in respect of the Task Force on Climate-Related Financial Disclosures ('TCFD') compliance.

The Trustee training also covered other areas including climate related investment options for pension schemes and different approaches to climate change risks. The Trustee decided to take further advice from Aon on this matter when setting the asset allocation for the Plan's DB Section and strategy for the DC Section, when selecting investment managers and monitoring their performance. Over the year the Trustee took advice from Aon on opportunities to integrate ESG into the Plan's investments over the short and longer-term.

In relation to the investments already held by the Plan, an ESG score for each investment manager is reported by Aon in the quarterly monitoring reports, with the exception of some illiquid managers within the DB Section. These ratings take into account the investment manager's awareness of all known and potentially financially material ESG risks in the investment strategy, and the steps that have been taken by the manager to identify, evaluate and potentially mitigate these risks across the portfolio.

The Trustee also considered RI policies and integration of these policies in the investment processes for all prospective managers over the year. The Trustee received the RI policies and integration information for all manager selection exercises that were undertaken during the Plan year, specifically Emerging Markets and Money Market funds. All prospective managers were asked about their Stewardship activities and policies.

The Trustee has also collected the voting and engagement records of each of its investment managers over the Plan year. Some examples of these are reported in detail later in this statement.

To date, most managers are meeting the requirements and those that are falling short have plans in place to do so. The Trustee will continue to monitor the situation.

Policies in relation to monitoring the Plan investments

The Trustee received quarterly investment monitoring reports from Aon covering both the DB and DC sections. The investment reports include performance reporting on all the investment funds relative to their respective benchmarks or targets and a performance attribution commentary, which highlights key factors affecting the performance of the funds over the quarter. Any issues with the managers' investment strategy, including the ESG assessment, are flagged.

The DB Section receives reports on performance on a quarterly basis from an independent performance measurer, HSBC.

In addition to quarterly monitoring reports, ad-hoc projects were undertaken during the year where there were any concerns over a particular manager. An example of this is the removal of the Lazard Emerging Markets Fund from the Equity Lifestyle Fund and Emerging Markets Equity Fund.

Policies in relation to appointing new managers

As part of Aon's investment manager research process, the governing documentation of investments is reviewed for appropriateness before a 'Buy' rating is given.

The Trustee considered the investment manager policies, including those on ESG factors, before appointing new managers in a number of manager selections that were carried out over the year.

Policies in relation to engagement with investment managers

The Trustee, with advice from Aon, considers the suitability of the Plan's asset managers on an ongoing basis. Aon's investment manager research function meets the rated managers on a regular basis to assess any changes in the investment staff, investment process, risk management and other manager evaluation factors to ascertain whether the overall rating assigned to the fund remains appropriate and the manager remains suitable to manage the assets. The Trustee also meets with the investment managers directly at Trustee meetings on a regular basis, where their ongoing suitability is reviewed and discussed. The managers' awareness regarding potential ESG risks in the investment strategy is also considered as part of monitoring and assigning the ESG rating to the fund.

In case of any noteworthy development regarding a manager that may or may not have resulted in a change in the overall rating assigned to the fund by the Plan's Investment Adviser, the Trustee is apprised of the development and advised accordingly.

If a fund is no longer considered the best in class or the most suitable based on the Investment Adviser's evaluation, the Trustee reviews the fund's appropriateness for the Plan. In 2021, it had been concluded that the Invesco Global Targeted Returns Fund ('GTR') persistently delivered returns below expectations. The Trustee has replaced this fund as part of a wider restructure of the Diversified Growth and Diversified Lifestyle Funds during 2021 and early 2022.

Policies in relation to Plan charges

DB Section

The Trustee has appointed ClearGlass (a cost gathering company) to collect costs data on the DB Section assets. The Trustee reviewed a ClearGlass report detailing the Plan's investment managers' costs data over the calendar year 2020, which resulted in the Trustee agreeing to negotiate fees with managers where it was deemed there was sufficient scope for potential fee concessions.

DC Section

Cost and charges data has been collated by Fidelity for the Plan year and will be published in the annual Chair's Statement.

The charges data includes the annual management charge, which is the annual fee charged by the manager for investing in the fund. Additional expenses such as trading fees or legal fees are also summarised to reflect the total cost of investing in a fund. In addition to this, transaction costs that are incurred within the day-to-day management of the assets by the manager are also collated and published in the statement.

Aon has reviewed these member borne costs and have confirmed that they all appear appropriate for each mandate.

Meeting the objectives and policies as set out in the Statement of Investment Principles ('SIP') that apply to DC Section alone

The Trustee outlines a number of key objectives and policies in the SIP. These are noted below, together with an explanation of how these objectives have been met and policies adhered to over the course of the year.

Policies in relation to investment strategy and investment managers

The Trustee has continued to provide members with a broad range of investment choices over the year. Members can choose between two different approaches to invest their Member Account:

- The 'Freestyle' approach, where the member chooses to invest in one or more individual funds from the available range to meet their long and short-term investment objectives.
- The 'Lifestyle' approach, where the Trustee offers the members three options, each with a different level of risk and potential return. For each of these options, members can also select any one of the three pre-retirement phase options in the run up to retirement.

These pre-retirement options target different asset allocations at retirement that may be more suitable for members depending on whether they are seeking to purchase an annuity, move into a flexible drawdown product, or take the full amount as cash.

The Trustee regularly monitored the strategies and funds available to members to ensure they were meeting their objectives and that their inclusion in the fund range continued to be in members' best interests.

There were no changes made to the Default Arrangement during the year, however, changes are being implemented to the available investment strategies during 2022. The implementation of some changes was carried out during the year to the underlying constituents of some of the funds. In particular, the Trustee made a number of changes to the Diversified Growth Fund and the Diversified Lifestyle Fund to introduce a Risk Parity Fund and Multi Asset Credit Fund into the underlying mix of funds.

As part of the Trustee's aim for greater environmental considerations within the Plan's investment strategies, the BlackRock Sterling Liquidity Fund was replaced by BlackRock Liquidity Environmentally Aware Fund within the Money Market Fund in the Plan.

During the year, the Equity Lifestyle Fund and the Emerging Markets Equity Fund – Active were reviewed and the Lazard Emerging Markets Fund was removed and replaced due to ongoing performance concerns and the downgrade by Aon's Investment Manager Research.

Changes were also made within the UK Equity– Active Fund to replace the Jupiter UK Growth Fund with the Jupiter UK Special Situations Fund following a review in the previous year.

The Trustee has received an investment monitoring report from Aon each quarter. This report has enabled the Trustee to monitor the performance of each of its investment funds and strategies relative to their respective benchmarks and targets over the last year. Fund performance is evaluated based on Aon's ‘Planwatch’ methodology. This assigns red, amber or green ratings to fund performance over the short and long terms. Any fund found to be consistently in breach of Planwatch triggers over the long term will be reviewed by the Trustee and may be replaced.

The quarterly monitoring reports contain any updates from Aon on the Plan's investment managers. Over the year, Aon has also issued some ad-hoc communications to the Trustee in relation to investment manager updates.

The Trustee has invited six of its investment managers to Trustee meetings throughout the year to provide an update on their funds. These meetings have provided the Trustee with an opportunity to question the managers on any areas of concern.

Policies in relation to member information

The Trustee ensures that the Plan website contains up to date information on all the Plan's investments, including; Lifestyle Guide, Freestyle Summary, Fund Factsheets, Statement of Investment Principles. In addition, a member update was issued in Spring and Autumn.

Fund Factsheets have been provided by the platform provider on a quarterly basis. These are reviewed by Aon on behalf of the Trustee on an annual basis. Interim checks are also undertaken after any changes to the underlying funds.

The Trustee will note and discuss any member feedback received. No such feedback was received during the Plan year.

Meeting the objectives and policies as set out in the Statement of Investment Principles (‘SIP’) that apply to DB Section alone

Policies in relation to investment strategy and risks

The Trustee's ongoing review of the investment strategy and the risks the Plan is exposed to has contributed to three key changes to the investment strategy during 2021. These are described below:

1. **The implementation of a new liability cashflow benchmark**
   In order to reflect updated membership data and latest assumptions, the Trustee decided to implement an updated liability cashflow benchmark with the Plan's liability driven investment ('LDI') manager. The decision was taken with the aim of minimising tracking error of the LDI portfolio versus the Plan's liabilities.
2. **Progressing the sell down of property fund units**
   The Trustee has made progress in selling the Plan's property fund units on the secondary market, achieving increasingly attractive pricing over the year as investor sentiment within the UK property market improved.
3. **The appointment of an additional Cash +4% mandate**
   The Plan's allocation to BlackRock FIGO was becoming an increasingly significant portion of the Plan's assets as a result of rebalancing arising from the property sales. The Trustee took the decision to appoint a new Cash +4% mandate, the M&G Alpha Opportunities Fund, and direct future property rebalancing proceeds to this fund with a view to equalising the allocation to the BlackRock FIGO Fund and the M&G Alpha Opportunities Fund.

Summary

Overall, the Trustee is of the opinion that it has successfully carried out all the policies and actions set out in its SIP. It is also satisfied that its investment managers are exercising their voting rights and engaging with investee companies where appropriate (see the following sections for detail). The Trustee will continue to monitor its managers' activities in these areas.

Voting and engagement activity undertaken over the year

Executive Summary

The DB and DC sections of the Plan invest in pooled funds across a range of asset classes, and the Trustee has delegated responsibility for the selection, retention and realisation of investments to the Plan's investment managers in whose funds it invests.

As part of the production of this statement, the Trustee – supported by its Investment Advisers, Aon – has reviewed the voting and engagement activities carried out on its behalf by the Plan's investment managers. Where the stewardship of managers is found to be falling short of the standards set out by the Trustee (exercising votes and engaging in order to create long-term financial value), the Trustee may take further action – for example, by meeting with the manager in question or requesting that Aon engage on its behalf.

All the Plan's investment managers have provided commentary on their approach to voting, including the use of any proxy voting services provided (relevant for equity managers only), as well as their approach to engaging with underlying security issuers. The Trustee acknowledges that the concept of stewardship may be less applicable with respect to its fixed income and property investments, particularly for short-term money market instruments, liability driven investment ('LDI') and gilt investments. As such, these investments have not been covered in this statement.

The majority of the Plan's investment managers have also provided examples of significant votes. There are a number of different criteria under which investment managers can determine whether a vote is significant. Each manager has their own criteria, with examples including:

- A vote where a significant proportion of the votes (e.g., more than 20%) went against the management's proposal.
- A vote where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting.
- A vote that is connected to a wider engagement initiative with the company involved.
- A vote that demonstrates clear and considered rationale.
- A vote that the Trustee considers inappropriate or based on inappropriate rationale.
- A vote that has significant relevance to members of the Plan.

The Trustee's definition of a significant vote is broadly consistent with the managers' definitions, therefore, the examples given in the appendices below are also aligned with the Trustee's definition of a significant vote.

Having reviewed the commentary provided by the investment managers, the Trustee believes the stewardship carried out on its behalf over the year to 31 December 2021 has been adequate, noting how the examples provided show the willingness and ability of the Plan's investment managers to take proactive votes against, or engagement with, management where appropriate. Examples include:

- Support of a shareholder resolution at an oil company in favour of a more stringent carbon emissions target.
- Engagement with a company on the lack of diversity on its Board.
- Voting against the proposed remuneration for the CEO of a company where there had been involvement in a severe environmental incident.

However, some managers have not been able to provide examples of significant votes or engagements carried out over the Plan year either at a fund level or a firm level. This includes Aberdeen Standard Investments, Dodge & Cox and Schroders. The Trustee expects improvements in these disclosures over time and Aon have communicated this expectation to the managers on the Trustee's behalf. The Trustee expects to be able to report an improvement in the 2022 implementation statement.

The Trustee recognises that it has a responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the

Plan invests in. Accordingly, the Trustee continues to expect improvements over time in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement.

The table on the following pages summarises the voting and engagement approach of the Plan's investment managers.

Further information (including voting statistics and examples of voting and engagement activity carried out on the Trustee's behalf) can be found in the appendices of this statement as follows:

- Appendix 1: Summary of manager voting and engagement policies (as provided by the investment managers)
- Appendix 2: Summary of voting statistics over the Plan year to 31 December 2021
- Appendix 3: Examples of significant votes and engagements cast and carried out on behalf of the Trustee over the Plan Year

Not all investment managers/asset classes have been covered within this statement due to limited materiality of Plan investments, either due to asset size or based on the limited nature of stewardship activity relevant to the underlying fund. The Trustee is comfortable, based on information received outside of what is detailed in this statement, that these managers are carrying out their stewardship responsibilities where relevant in a manner that is consistent with the Trustee's stewardship policy.

Overview of investment manager voting and engagement policies

Equity and Multi Asset Funds – selected case studies

Section	Manager	Voting policy	Engagement policy
DB/DC	BlackRock	• Uses Institutional Shareholder Services ('ISS') platform to cast votes based on internally developed proxy voting guidelines, pre-vote engagements, research and situational factors for each company. • Publishes bulletins of what it considers significant votes, defined as votes where the issues involved are likely to be high-profile and therefore of interest to its clients and other stakeholders.	• Firm-wide engagement programme covering equities and corporate bonds, and active and passive strategies. • Engagement should be seen as a tool to raise concerns on governance or sustainability issues that may affect long-term value creation. Engagement priorities include: 1. Board quality and effectiveness. 2. Climate and natural capital. 3. Strategy, purpose and financial resilience. 4. Incentives aligned with value creation. 5. Company impacts on people.
DC	Veritas Asset Management ('Veritas')	• Uses ISS services to execute voting decisions with internal analysts and portfolio managers making final voting decisions. • Defines significant votes as those which resulted in a vote against management.	• Engages through a four-milestone system: 1. Raises the issue with the company. 2. Receives acknowledgement from the company that its concerns are valid. 3. Receives confirmation from the company that it is developing a plan to address the issue. 4. Receives confirmation from the company that the plan is implemented, and the objective is delivered.

Section	Manager	Voting policy	Engagement policy
			• If engagements make insufficient progress, Veritas may choose to sell its holding.
DC	Sands Capital ('Sands')	• Sands undertakes execution of proxy votes, but receives proxy voting research from Glass Lewis, Stakeholders Empowerment Services and ISS but does not necessarily vote according to the guidelines provided. • No strict definition of a significant vote; these are instead considered on a case-by-case basis.	• Engages with companies on business-specific matters that may have a material impact on its investments. • Three objectives for engagements: 1. To inform its business cases and build conviction in businesses. 2. To exchange perspective on matters relevant for long-term shareholders' interest. 3. To discuss ballot proposals and inform its proxy voting decision.
DC	Lindsell Train	• Lindsell Train undertakes execution of proxy votes, but uses Glass Lewis to facilitate its proxy voting activities. • Does not outsource the proxy voting decisions: Portfolio Managers maintain the final decision-making responsibility. • Considers significant votes as abstained votes, votes against management and any votes where it has engaged more extensively with	• When meeting with company management, it will engage with them on all factors that it believes will affect the company's ability to deliver long term sustainable value to shareholders.

Section	Manager	Voting policy	Engagement policy
		management to ensure that its views are known.	
DC	William Blair	• William Blair has proxy voting authority but uses ISS's Sustainability Voting Policy to facilitate its proxy voting activities, along with maintenance, reporting, analysis and record keeping services. • Considers a significant vote as one cast against management recommendation.	• Engages with investee companies privately to help facilitate constructive dialogues and build effective relationships. • Companies with scope for improvement are identified through a combination of research and screening tools. • Currently engages privately but is exploring collaborative engagement through collective organisations where relevant.
DC	RWC	• Utilises undertakes execution of proxy votes, but the services of ISS as its proxy voting advisor to facilitate voting activity. • Recognises that proxy voting is a valuable asset and must be exercised in the best interest of investors to enhance the long-term financial performance of investments. It believes that the authority to vote can be delegated or retained but should always be voted in the best interests of investors.	• As an active investor, RWC states that many of its teams interact intensively with company management. • The close, ongoing conversations and in-depth understanding of its investments mean RWC's teams are well-placed to engage directly on any areas of concern, including ESG-related risks. • RWC fully supports this pragmatic dialogue as it may impact the long-term results of our clients' investments.
DC	Impax	• Impax undertakes execution of proxy votes,	• Majority of stewardship activities focus on engaging through meetings or calls with

Section	Manager	Voting policy	Engagement policy
		but uses Glass Lewis as its proxy advisory firm. • Voting decision is not outsourced but conducted by Impax's investment team on a case-by-case basis. • Defines the most significant votes as those where it has voted either to abstain, to vote against management or withheld a vote.	companies, through proxy voting, and in some cases filing shareholder resolutions. • Engages with companies where it has identified specific ESG issues or concerns, when further information is required and/or to encourage an improvement in ESG policies, processes and disclosures.
DC	HSBC	• HSBC undertakes execution of proxy votes, but utilises the services provided by proxy voting advisor ISS to assist with the global application of its own voting guidelines. • HSBC policy is applied at three levels: 1. Market-specific criteria for developed Europe. 2. Global 'good practice' standards for other developed markets. 3. More flexible application for emerging and frontier markets. • Regards the votes against management recommendations as the most significant.	• Clear set of engagement objectives, which may include: 1. Improving understanding of a company's business and strategy. 2. Monitoring performance. 3. Signalling support or raising concerns about company management, performance or direction. 4. Promoting good practice.

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Fixed Income and Real Estate Funds – selected case studies

Section	Manager	Voting policy
DB/ DC	Pacific Investment Management Company ('PIMCO')	• Its credit research team engages regularly with the issuers it covers to discuss a range of relevant topics including corporate strategy and leverage as well as sustainability-related topics.
DB	Barings	• Prioritises engagements according to the materiality of a topic to the investment case, as determined by its analysts' ESG research, as well as by the size of the holdings. • Preference to engage proactively on longer-term issues that may affect value but will also engage reactively on shorter-term threats to value. • Will set milestones and targets. Where engagements are unsuccessful, escalation procedures include increasing the frequency or intensity of engagements or by divesting.
DB	Insight Investment Management	• Engage to discuss issues such as strategy, deployment of capital, performance, remuneration, risk management and ESG factors. • Prioritises climate risk analysis and stewardship. • Supports climate-focused groups that aim to help improve risks from issuers, including inadequate disclosure, and support campaigns that promote environmental themes.
DB	T. Rowe Price Associates	• Engagement programme is driven by its portfolio managers and is usually focused on matters material to the investment case. • Typical approach is to focus on specific factors which could negatively impact performance rather than focussing on broad themes. • It will sometimes ask companies to make specific changes or seek more information on an ESG issue to ensure investment decisions are well informed.
DC	Invesco	• Global engagement philosophy and global responsible investment team to assist with engagement, include Invesco Real Estate. • Seeks to address problematic areas or opportunities for improvement from an ESG perspective. • In the process of developing an escalation engagement framework to guide stewardship processes and achievements

DB	Bentall Green Oak (‘BGO’)	• Aims to foster meaningful asset occupancy and community engagement and involvement that helps occupants to achieve its sustainable investing goals through proactive engagement
DB	ICG-Longbow	• Notes that real estate strategies may limit its ability to influence management and so seeks to monitor ESG risks and engage with management where feasible. • Uses a Green Loan Framework (‘GLF’), which aims to facilitate and support environmentally sustainable economic activity through the loan market and to help prioritise engagements. • Has a bespoke ESG survey that it issues for real estate portfolio companies.
DB/DC	Aberdeen Standard Investment (‘ASI’)	• States that it regularly engages with the management companies of the properties in which it is invested.

Appendix 1: Manager voting and engagement policies

The Trustee has reviewed the voting and engagement activities carried out on its behalf by the Plan's investment managers. The table below summarises the investment managers used by the Plan.

Plan Section	Investment Manager	Asset Class(es)
DB and DC	BlackRock	Equity, fixed income, multi-asset, property
	PIMCO*	Fixed income
	Aberdeen Standard Investments*	Property, fixed income
DB	Barings*	Fixed income
	Insight Investment Management*	Fixed income
	T-Rowe Price*	Fixed income
	Bentall GreenOak Real Estate Advisors*	Real estate debt
	Harbour Vest Partners*	Private equity
	ICG-Longbow*	Fixed income
	Pantheon*	Private equity
DC	Veritas Asset Management ('Veritas')*	Equity
	Sands Capital ('Sands')*	Equity
	Lindsell Train*	Equity
	William Blair*	Equity
	Invesco*	Multi-asset, Real Estate
	Impax	Equity
	HSBC	Equity
	Dodge & Cox*	Equity
	Schroder Investment Management ('Schroders')*	Equity, multi-asset
	RWC*	Equity
	Jupiter*	Equity
	Lazard*	Equity

	Legal & General Investment Management ('LGIM')*	Fixed income
	M&G*	Fixed income
	Threadneedle*	Property

*Investment manager/asset class not covered within this statement due to limited materiality of Plan investments, either due to asset size or based on the limited nature of stewardship activity relevant to the underlying fund. The Trustee is comfortable, based on information received outside of what is detailed in this statement, that these managers are carrying out their stewardship responsibilities where relevant in a manner that is consistent with the Trustee's stewardship policy.

Investment managers' voting and engagement policies

Below we present a more detailed review of BlackRock, Impax and HSBC policies.

BlackRock

Voting policy

BlackRock's proxy voting process is led by its Investment Stewardship team, BIS. Voting decisions are made by BIS with input from investment colleagues.

BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis. BlackRock states that it uses the research along with its own analysis to identify companies where additional engagement would be beneficial. BlackRock states that it does not routinely follow the voting recommendations of its proxy voting advisers. Instead, it uses this information to synthesise corporate governance information and analysis into a concise, easily reviewable format so that its investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial.

Blackrock states that its voting decisions are informed by its internally developed proxy voting guidelines, its engagements with companies and research on each underlying company. BlackRock reviews its proxy voting guidelines annually and states that it updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

Engagement policy

BlackRock has a firm wide engagement programme which it states has the aim of enhancing the long-term value of client assets through its activities. BIS engages with companies in both active and indexed investment strategies, noting the importance of engagement within index-based strategies where divestment is not an option. BlackRock uses engagement as a tool to raise concerns regarding governance and sustainability issues that may affect the long-term performance of the company.

The BIS team's stated key engagement priorities include:

1. Board quality and effectiveness.
2. Climate and natural capital.
3. Strategy, purpose and financial resilience.
4. Incentives aligned with value creation.
5. Company impacts on people.

More information can be found in the BlackRock Investment Stewardship Annual Report 2021:

https://www.blackrock.com/corporate/literature/publication/annual-stewardship-report-2021.pdf

This engagement programme benefits investments in both equity and corporate bonds issued by companies, with the BIS team positioned as an investment function which allows for the mutual exchange of views with active portfolio management teams across equity and credit. In addition, BlackRock's Global Fixed Income ('GFI') Responsible Investing ('GFI-RI') team may partner with the BIS team both to reflect ESG related topics from GFI investors, as well as to attend or host engagement meetings on certain highlighted ESG flagged holdings. An ESG flagged holding is one where BlackRock holds a significant exposure in GFI portfolios, and the issuer is flagged as low rated or controversial by external ESG rating providers or is highlighted by its credit research.

For the UK Property Fund utilised by the DB Section of the Plan, BlackRock states that sustainability campaigns have been implemented at various properties across the portfolio to engage with tenants on a range of sustainability topics; from energy efficiency and carbon reduction, to sustainable transport and travel, waste management and recycling, wildlife conservation, and health and wellbeing.

Impax

Voting policy

Impax uses Glass Lewis as its proxy advisory firm. Impax's voting decision is not outsourced, but rather conducted by Impax's investment team on a case-by-case basis.

Impax's Head of Sustainability & ESG leads and coordinates the voting decisions, following Impax's voting policies and guidelines. However, for financial or corporate finance type votes, the lead analyst advises and decides on the votes. In cases where voting guidelines cannot be precise enough and further analysis is required, this is discussed between the lead analyst of the company and the Head of ESG, informed by data and views by the proxy advisory firm.

If a proxy voting decision requires in-depth discussions, the lead analyst and Head of Sustainability & ESG take into consideration the overall ESG profile and history of the company, as well as Impax's history of engagement with the company. The Impax proxy voting procedure is always cross-checked and signed by two members of staff (research and voting confirmations). This process is externally verified annually, as part of Impax's operational audit process.

Engagement policy

As part of its stewardship approach, Impax engages with different groups, including issuers, governments, regulators and wider industry bodies. Impax states that both ESG analysis and engagement are fully integrated into its investment process, therefore the majority of its stewardship activities focus on engaging with companies: through meetings or calls with companies, through proxy voting, and in some cases filing shareholder resolutions.

It engages with companies and other issuers when it has identified specific ESG issues or concerns, when it requires further information regarding an ESG aspect (that is not publicly disclosed) and/or to encourage improvement in company ESG policies, processes and disclosures. It is also involved in a number of collaborative initiatives and engages with policy makers, which seek to address market-wide risks. Over the Plan year, Impax recorded over 240 engagements with over 200 different entities.

HSBC

Voting policy

HSBC utilises the services provided by proxy voting advisor ISS to assist with the global application of its own voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene HSBC guidelines. HSBC then reviews voting policy recommendations for all active holdings, which enables it to ensure that ISS has applied the policy correctly and to determine whether there are company-specific reasons to depart from the policy.

HSBC states that it often provides feedback to ISS on its application of the policy - either to amend the recommendation for a particular meeting or for future meetings. A decision to depart from a policy recommendation will only be made by the portfolio manager and/or a member of the Governance team. This could result from an investment insight into the company concerned that goes beyond the ISS analysis or from an engagement with the company which indicates that the governance concern is misplaced or will be addressed. Reasons for departures from policy are recorded and reviewed subsequently by a governance oversight group.

HSBC policy is applied at three levels: market-specific criteria for developed Europe; global 'good practice' standards for other developed markets; more flexible application for emerging and frontier markets.

Engagement policy

HSBC states that it meets with companies on a range of ESG issues and has a clear set of engagement objectives which may include:

- Improving understanding of a company's business and strategy.
- Monitoring performance.
- Signalling support or raising concerns about company management, performance or direction.
- Promoting good practice.

HSBC undertakes a risk assessment on an annual basis, helping to identify ESG practices of concern in different regions and where it has the most exposure on an absolute and relative basis. It prioritises themes, sectors or key stocks on the basis of scale of client holdings, salience of the issues concerned and overall exposure. This process results in the development of an annual engagement plan.

HSBC has developed a process for each formal equity engagement based on setting defined company specific objectives, tracking progress made, measuring company action and recording engagement. It meets with companies on a range of issues. Its active equity and credit analysts engage with issuers as part of the investment process, both before and during the period of investment and also cover ESG issues.

When analysing issuers, HSBC considers which specific ESG factors are generally material for the industry in which each company operates. It also uses proprietary sector-specific weighting for ESG factors to reflect the materiality of each set of issues to the sector. The factors included are not exhaustive, and it can consider further unlisted ESG factors that may have meaningful impact on companies' future potential.

BANK OF AMERICA

Appendix 2: Voting statistics for the year ending 31 December 2021

	% of resolutions voted on for which the fund was eligible	Of the resolutions on which the fund voted, % that were voted against management	Of the resolutions on which the fund voted, % that were abstained from
BlackRock ACS Continental European Equity Fund	99.0%	14.0%	1.0%
BlackRock ACS Japanese Equity Fund	100.0%	2.0%	0.0%
BlackRock ACS UK Equity Fund	100.0%	5.0%	0.0%
BlackRock ACS US Equity Fund	99.0%	4.0%	0.0%
BlackRock ACS World ex UK Fund	99.0%	7.0%	0.0%
BlackRock DC Diversified Growth Class	100.0%	6.0%	1.0%
BlackRock Fundamental Weighted Index Fund (RAFI)	100.0%	7.0%	0.0%
BlackRock Life UK Growth Fund	100.0%	5.0%	1.0%
BlackRock MSCI World Index Fund	99.0%	8.0%	0.0%
BlackRock Pacific Rim Equity Index Fund	100.0%	11.0%	0.0%
BlackRock ACS Japanese Equity Fund	100.0%	2.0%	0.0%
HSBC Islamic Global Equity Fund	93.0%	11.0%	0.0%
Impax Environmental Leaders Fund	100.0%	3.1%	1.3%
Jupiter UK Special Situations Fund	100.0%	6.4%	1.3%
Lindsell Train UK Equity Fund	100.0%	0.0%	0.2%
Sands Capital Global Growth Fund	98.1%	6.2%	0.0%
Sands Capital Emerging Markets Growth Fund	100.0%	3.7%	5.4%
Schroders Diversified Growth Fund	94.0%	6.0%	0.0%
Schroders Global Emerging Markets Fund	91.4 %	7.8%	8.6%
RWC Global Emerging Markets Fund	99.2%	7.9%	6.8%
William Blair Emerging Market Leaders Fund	99.1%	9.5%	6.2%
Veritas Global Focus Fund	100.0%	9.0%	0.0%

Appendix 3: Significant voting and engagement case studies for the period

BlackRock

Significant vote at BP plc ('BP')

In May 2021, BlackRock voted in favour of a shareholder resolution at BP which called for a more stringent target in relation to its carbon emissions target to align itself closer to the Paris Climate Agreement. It considers the vote to be significant as it was against the recommendation of the BP management.
BlackRock noted that BP is already aligned significantly with the request of the resolution, but ultimately voted for the resolution as a means to reiterate its expectation that BP should progressively refine its greenhouse gas emissions reduction targets.

Whilst the vote did not pass, there was a sizeable shareholder voting for the resolution of 20.7%. BP stated its intention to engage with shareholders and subsequently released a statement in December 2021 addressing the resolution. BP states it will update shareholders on its progress against its Net Zero strategy and next steps at its full year results presentation in Q1 2022.

Engagement with Oxford Instruments

BIS has engaged with British science-focused manufacturing and research company, Oxford Instruments, on the lack of diversity on its board ahead of the company's AGM in September 2021. The company has yet to reach the Hampton-Alexander target to have 33% representation of women and missed the 2020 target timeframe.

BIS deems diverse and experienced board directors to be critical to the success of a company and long-term value creation. Oxford Instruments has since appointed an additional female board member as a Senior Independent Director in the 2021 AGM and stated that it intends to reach the target by its 2022 AGM. Oxford Instruments has also expressed its intention to work with consultants and search firms who have signed the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice in order to improve its recruitment of diverse executives and directors.

BIS intends to continue to monitor the progress of the investee company as the company identifies and integrates new leadership in the months ahead.

Impax

Significant vote at TF Connectivity

A fund level significant voting example relates to TF Connectivity (an American computer component producer) in March 2021, where Impax voted against the resolution of electing Pierre R. Brondeau as the lead independent director due to concerns with a number of directors along with the overall board. It considers the vote to be significant as it is against both the management and its proxy provider's recommendation.

The resolution was ultimately passed, however Impax stated that it has subsequently shared its voting decision with the TF Connectivity in a follow-up engagement call.

Engagement at Trimble Inc.

Trimble Inc. is an American technology hardware company that Impax engaged with on the topic of sustainability risk management processes and report. Impax notes there has been significant progress made since its first engagement with Trimble Inc. in 2017, noting that the company has appointed a Head of Sustainability in 2020 which is marked progress in its governance of sustainability. Impax has continued to engage and support the development of Trimble's sustainability management processes, target-setting and reporting. Subsequently, the company has committed to publish sustainability-based performance goals along with operational efficiency and material data on the sustainability front.

Impax has stated its intention to continue to engage with the company in 2022 and has also started to discuss biodiversity opportunities with Trimble.

HSBC

Significant vote at Rio Tinto plc

In April 2021, HSBC detailed a significant vote in relation to Rio Tinto plc, the mining conglomerate. It voted against the remuneration report as it was concerned that Rio Tinto's out-going CEO received £5.7 million from vesting of 2016 long-term incentive plan. Although the remuneration committee had reduced vesting by £1 million and withheld his bonus due to destruction of the Juukan Gorge historic site, HSBC noted the total pay exceeded previous year. It believed that the remuneration committee should have exercised further discretion in light of the severity of the incident. HSBC considers the destruction to be a major failing of the company's governance and the remuneration has not been accurately adjusted to reflect the matter.

The remuneration package was ultimately not passed. HSBC states it will continue to engage with Rio Tinto on the issue and stated the vote has sent a strong signal to the board of Rio Tinto.

Engagement on greenhouse gas emissions

HSBC engaged with a number of companies including Royal Dutch Shell, Exxon Mobil and Rio Tinto on the investor initiative launched in 2017 to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change; CA100+ (formerly Climate Action 100+). HSBC engaged with these companies to:

- Curb emissions.
- Improve governance.
- Strengthen climate-related financial disclosures.

The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition. HSBC participated in group meetings with the Chairs of all three named companies as well as other meetings and its own direct engagement. During the year, HSBC stated that both Royal Dutch Shell and Rio Tinto made significant progress in commitments related to the carbon transition as a result of the engagements.